

# PEERS

Retiree Members | DECEMBER 2017

## Benefit Check

PUBLIC EDUCATION EMPLOYEE RETIREMENT SYSTEM OF MISSOURI

January 1, 2018 COLA  
Set at 1.63%; 2018-2019  
School Year Contribution  
Rates Unchanged

PSRS/PEERS Investments  
Return 12.5% for Fiscal Year  
2017; Off to a Solid Start for  
Fiscal Year 2018

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Tax Form

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**A**t the November 2-3, 2017 meeting of the  
Public School and Education Employee  
Retirement Systems of Missouri  
(PSRS/PEERS) Board of Trustees, the Board  
made several important decisions to ensure the  
ongoing financial health of the Systems.

The meeting included detailed analysis and  
discussion by the Board, the Systems' actuary,  
PricewaterhouseCoopers, management and  
educational associations, which culminated in  
decisions designed to provide an ongoing funding  
policy that provides continued financial stability  
for the Retirement Systems.



**"The Board has a fiduciary responsibility to  
operate the Systems in a prudent manner  
that best serves all members equally, no  
matter what their life or career stage. We  
had good discussions and considered a  
lot of meaningful data and research. As a  
result, I feel we made sound decisions and  
set policies that will help keep the Systems  
financially healthy for the long-term."**

Aaron Zalis, Board Chairman



## January 1, 2018 COLA Set at 1.63%; 2018-2019 School Year Contribution Rates Unchanged

To meet the Systems' ongoing goals, the Board took  
action on the Systems' COLA policy, 2018-2019  
contribution rates, and assumed rate of investment  
return.

### January 2018 COLA Set at 1.63%, New COLA Policy Going Forward

#### January 1, 2018 COLA Set

The Board voted to grant eligible PSRS and PEERS  
benefit recipients a 1.63% cost-of-living adjustment  
(COLA) effective January 1, 2018.

The COLA decision is based in part on the Consumer  
Price Index for Urban Consumers (CPI-U) as  
determined by the U.S. Bureau of Labor Statistics for  
the previous fiscal year. The increase in the CPI-U for  
PSRS/PEERS' fiscal year 2017 is 1.63%.

Other factors in the decision included the analysis  
and recommendation of the Systems' actuary, and  
requirements set in Missouri law regarding the setting  
of the COLA by the Board of Trustees.

#### New COLA Policy Adopted Effective with January 1, 2019 COLA

In addition to setting the COLA for the upcoming  
year, the Board reviewed seven different scenarios  
with data provided by the Systems' actuary,  
PricewaterhouseCoopers (PwC) to determine a  
longer-term COLA policy that best fits with the  
Systems' funding goals.

After the analysis and discussion, the Board set a  
new COLA policy that will become effective with  
the January 2019 COLA. The policy contains a  
cumulative CPI calculation when the CPI-U falls  
between 0% and 2%.

The policy provides that:

- If the CPI-U is less than 0% (negative), no  
COLA will be given.
- If the CPI-U is 0% to 2%, and cumulatively  
below 2%, no COLA will be given.
- If the CPI-U is 0% to 2% and cumulatively  
2% or more, a 2% COLA will be given.
- If the CPI-U is between 2% and 5%,  
a 2% COLA will be given.
- If the CPI-U is more than 5%,  
a 5% COLA will be given.

2017 PSRS/PEERS COLA Policy	
CPI-U	COLA
Less than 0%	0%
0% to 2%	0% if cumulative CPI-U is below 2%
0% to 2%	2% if cumulative CPI-U is 2% or more
2% - 5%	2%
More than 5%	5%

*Continued on page 4*



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The cumulative COLA calculation **only applies when the CPI-U is between 0% and 2%**. The cumulative COLA calculation period resets to zero after a 2% COLA is provided and begins again.

Example 1

- Year 1 CPI-U = 1.5% → Cumulative CPI-U also 1.5%
- Year 2 CPI-U = 1.0% → Cumulative CPI-U is 1.5% + 1.0% = 2.5%
- No COLA would be granted in Year 1 because the actual CPI-U is between 0% and 2% and the cumulative CPI-U is below 2%.
  - A COLA of 2% would be granted in Year 2, because the actual CPI-U is between 0% and 2% and the cumulative COLA calculation is 2% or more.

Example 2

- It may take more than two years for the cumulative COLA calculation to reach a level that will result in the granting of a COLA.
- Year 1 CPI-U = 1.3% → Cumulative CPI-U is also 1.3%
- Year 2 CPI-U = 0.3% → Cumulative CPI-U is 1.3% + 0.3% = 1.6%
- Year 3 CPI-U = 1.0% → Cumulative CPI-U is 1.3% + 0.3% + 1.0% = 2.6%
- No COLA would be granted in Year 1, because the actual CPI-U is between 0% and 2% and the cumulative CPI-U is below 2%.
  - No COLA would be granted in Year 2, because the actual CPI-U is between 0% and 2% and the cumulative CPI-U is still below 2%.
  - A COLA of 2% would be granted in Year 3 because the actual CPI-U is between 0% and 2% and the cumulative CPI-U is 2% or more.

For more information, visit the news section of our website, [www.psr-peers.org](http://www.psr-peers.org), for an article and frequently asked questions about the new COLA policy.

Contribution Rates Unchanged for 2018-2019 School Year

On the recommendation of the Systems’ actuary, the Board voted to maintain active member and employer contribution rates for PEERS at 13.72% and PSRS at 29%. These contribution rates, along with the assumed investment return rate, continue to provide the Systems with the level of funding necessary to maintain the Systems’ healthy financial status.

Assumed Rate of Investment Return Decreased

The Board voted to reduce the assumed rate of return on investments from 7.75% to 7.6% due to the continued low interest rate and capital market environments.

PSRS/PEERS Investments Return 12.5% for Fiscal Year 2017; Off to a Solid Start for Fiscal Year 2018

PSRS and PEERS earned an investment return of 12.5% for the fiscal year ended June 30, 2017. The total plan return exceeded both the policy benchmark of 11% and the long-term objective (actuarial assumption) of 7.75%.

Over long periods of time, the Systems continue to produce investment returns that meet or exceed the System’s objective. The annualized investment return for PSRS and PEERS over the last five years is 9.5%, and 8.4% over the last 30 years.

PSRS and PEERS maintain a diversified asset allocation of stocks, bonds, real estate, hedged assets and private equity. In the last year, the best performing asset classes for the Systems were non-U.S. equity with a return of 20.4% and private equity, which produced a return of 20.1%.

As we move through the first four months of fiscal year 2018, stock markets throughout the world continue to reach new highs.

The Systems have benefited from the strong markets and the estimated investment return for PSRS and PEERS for the first four months of fiscal year 2018 (July 1, 2017 through October 31, 2017) is approximately 4.5%.

However, we remain mindful of the fact that most asset classes (specifically global stock markets) are fully valued, and that volatility in all investment markets is beginning to increase. As a result, we will continue to manage the PSRS and PEERS assets with a focus on return, but also with a keen awareness of the embedded risks.

The market value of invested assets for PSRS and PEERS combined were approximately \$42.8 billion on October 31, 2017, making the joint entity larger than all other public retirement plans in Missouri combined, and the 43<sup>rd</sup> largest defined benefit plan in the United States. For the most recent PSRS/PEERS investment news, visit us on the web at [www.psr-peers.org](http://www.psr-peers.org).





## Legislative Changes May Impact Some PEERS Retirees

Legislative changes affecting some retired PEERS members went into effect August 28, 2017. Changes include the addition of a possible Joint-and-Survivor or Term-Certain benefit pop-up upon divorce and a longer window to change a Joint-and-Survivor beneficiary after a remarriage.

For more information, visit our website [www.psr-peers.org](http://www.psr-peers.org).

## Watch Your Mail for Important End of Year Documents: Your Annual *Benefit Statement* and IRS Form 1099-R Tax Form

### Annual PEERS *Benefit Statement*

In January, you will receive your annual PEERS *Benefit Statement*. The *Benefit Statement* is a comprehensive summary of your PEERS membership and your monthly benefit as of January 31, 2018.

This important document is a record of your:

- Benefit amount
- Tax information and withholding amounts
- Benefit plan and benefit history
- Cost-of-living adjustments (COLAs)
- Beneficiary designation

Please review your statement to see if you need to make updates to your contact information or beneficiary designation with PEERS.

You can update your mailing address, phone or email address by logging in to Web Member Services at [www.psr-peers.org](http://www.psr-peers.org), or using a *Member Information Change* form also available on our website or from our office.

Please contact us with any questions about changes to your post-retirement beneficiary designation.

**PEERS**  
PUBLIC SCHOOL & EDUCATION EMPLOYEE  
RETIREMENT SYSTEM OF MISSOURI

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Website: [www.psr-peers.org](http://www.psr-peers.org)**

**About Your IRS Form 1099-R**

**Form 1099-R**

**Box 5 - Employee contributions:** Shows the amount of after-tax contributions and purchase payments excluded from taxable income in 2017. (Except for rollovers Box 5 + Box 2a = Box 1)

**Box 7 - Distribution code:** Shows the type of distribution paid to you during 2017. A description of each code is detailed on the back of your Form 1099-R. If the distribution code is 1, you may be required to pay a 10% early distribution tax in addition to regular income tax when filing your tax return. If you believe your distribution code is incorrect, you may file IRS Form 5329 with your tax return or contact PSRS/PEERS to determine if there is an error we can correct.

**PEERS Benefit Statement**  
As of January 2018  
This is not an official tax document.

**Benefit Summary**

	December 29, 2017	January 31, 2018
Gross Monthly Benefit	\$ 364.43	\$ 364.43
2018 COLA (1.63%)	\$ 364.43	\$ 370.37
Total	\$ 364.43	\$ 370.37
Deductions		
Federal Income Tax	(\$ 0.00)	(\$ 0.00)
Missouri Income Tax	(\$ 0.00)	(\$ 0.00)
Total	(\$ 0.00)	(\$ 0.00)
Net Monthly Benefit	\$ 364.43	\$ 370.37

Tax changes received after 11/13/2017 will be acknowledged in a separate mailing.

Location: 1212 N. Truman Blvd., Jefferson City, MO 65101  
Mail To: Box 268 / Jefferson City, MO 65102 Phone: (573) 634-5260  
Toll Free: (800) 392-6848 Email: [psrpeers@psrpeers.org](mailto:psrpeers@psrpeers.org) Member Services FAX: (573) 634-7934 Website: [www.psr-peers.org](http://www.psr-peers.org)

### IRS 1099-R Tax Form

Your 2017 IRS Form 1099-R will also mail in January. You will need this form when filing your 2017 income tax returns.

Your annual Form 1099-R shows the total funds you received from PEERS in calendar year 2017, the taxes withheld and the dollar amounts considered taxable

income. If you have a professional tax advisor, we suggest that you make this information available for his or her review.

Your 2018 *Benefit Statement* and your tax year 2017 IRS 1099-R tax form will also be available in late January to view and print by logging in to Web Member Services at [www.psr-peers.org](http://www.psr-peers.org).

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## Tax Time is Coming. Are You Eligible for the Missouri Public Pension Exemption?



For tax year 2017, married couples with Missouri adjusted gross income less than \$100,000 and single individuals with Missouri adjusted gross income less than \$85,000, may deduct up to 100% of their public retirement benefits (such as PEERS service retirement benefits), to the extent the amounts are included in their federal adjusted gross income.

- Married couples with Missouri adjusted gross income greater than \$100,000 and single

individuals with Missouri adjusted gross income greater than \$85,000, may qualify for a partial exemption.

- There is no age requirement for eligibility.

Visit [www.dor.mo.gov](http://www.dor.mo.gov) for more information regarding eligibility or contact the Missouri Department of Revenue at (573) 751-3505, email [income@dor.mo.gov](mailto:income@dor.mo.gov) or consult a tax professional for more information.



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RETIREMENT SYSTEM OF MISSOURI

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## Use Web Member Services to Stay Informed About Your Membership and Benefits

Now it is easier than ever to get quick information about your PEERS membership, benefit payments, direct deposit and income tax withholding using PEERS Web Member Services at [www.psrs-peers.org](http://www.psrs-peers.org). Register for access using the Member Log-in link at the top right corner of the screen.

Access to your membership information online requires that you establish a user name and password. When setting up your online access, you will be required to enter a temporary PIN we will provide you by mail. This process is designed to help ensure your membership information is not accessed fraudulently by someone other than you.

You can use Web Member Services to:

- Update your contact information on record with PEERS
- Change the income tax withholding from your benefit

- Access the forms you need to change your beneficiary designations
- Estimate the impact of future COLAs on your benefit

You can view:

- A benefit summary
- Your current beneficiary designation
- Direct deposit information
- Income tax withholding
- Cost-of-living adjustment information
- An archive of your past ***Benefit Statements***
- An archive of your past IRS Forms 1099-R (tax documents)

It's quick and easy to stay up-to-date with PEERS Web Member Services. Visit today!